Rate of interest for small scale industries

†1311. DR. PRABHA THAKUR: Will the Minister of FINANCE AND COMPANY AFFAIRS be pleased to state:

(a) whether Government have received any proposal from Reserve Bank of India to reduce the rate of interest for small and medium industrial units and to provide loan upto Rs. 15 lakh without any pledge in special conditions to industries having good record;

(b) if so, Government's reaction thereto; and

(c) the details of loan and other facilities being provided to small and medium industries?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE AND COMPANY AFFAIRS (SHRI ANANDRAO VITHOBA ADSUL): (a) and (b) Reserve Bank of India has not suggested any cut in rate of interest on loans provided to SSIs. RBI has, however, advised the Banks to set the interest rate on advances to SSI Sector keeping in view the prevailing declining trend in interest rates and that SSI units with good track record may be accorded lower spreads over Prime Lending Rate (PLR).

The borrowal limit for collateral free loan to tiny sector has already been increased from Rs. 1 lakh to Rs. 5 lakhs. In order to further improve the flow of credit to SSIs, RBI has recently announced that Banks may on the basis of good track record and the financial position of the units increase the limit of dispensation of collateral requirement for loans from Rs. 5 lakhs to Rs. 15 lakhs.

(c) Many policy measures have been taken to improve the credit delivery system to the SSI Sector. These are:

(1) In order to pass on the benefits of lower rates of interest to SSI Sector, the State Bank of India has announced an interest rate band of 2 per cent above and below its PLR for secured advances. The Indian Banks Association is now advising all its member banks to adopt a similar interest rate band.

(2) Banks to ensure that out of their total funds lent to SSI Sector, at least 40% should be made available to the units with

†Original notice of the question was received in Hindi.

investment in plant and machinery upto Rs. 5 lakhs and 20% should be made available to units with investment in plant and machinery between Rs. 5 lakhs and Rs. 25 lakhs. Thus 60% of the funds earmarked for SSI Sector should go to small units in tiny sector.

(3) Banks have been advised to open atleast one Specialised SSI Branch in each district. Further Banks have been permitted to categorise their general banking branches having 60% or more of their advances to SSI Sector as specialized SSI Branches for providing better service to this sector as a whole.

(4) Raising of the Composite loan limit from Rs. 10 lakhs to Rs. 25 lakhs.

(5) Raising the borrowal limit to Rs. 5 crores for computation of working capital on the basis of minimum 20% of the projected annual turn over.

(6) To increase the outreach of banks to tiny sector, inclusion of credit provided to NBFCs or other financial institutions for on-lending to tiny sector under priority sector lending.

(7) Launching of a New Credit Guarantee Scheme by SIDBI under which collateral free loans upto Rs. 25 lakhs are covered for guarantee under the scheme.

(8) Raising the limit of the projects to Rs. 50 lakhs for providing assistance under the National Equity Fund Scheme.

(9) The individual credit limit to artisans, village and cottage industries for reckoning under advance to weaker sections is increased to Rs. 50,000/- from the present limit of Rs. 25,000/-

(10) Earmarking of 30% of the Investment under National Equity Fund Scheme for the tiny Sector.

Slow growth rate

1312. SHRI P. PRABHAKAR REDDY: Will the Minister of FINANCE AND COMPANY AFFAIRS be pleased to state:

(a) whether it is a fact that the country's growth rate for 2002-2003 is not expected to go beyond 4.4 per cent;